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SIPDIS
SENSITIVE BUT UNCLASSIFIED

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TAGS: [ECON](#) [ENRG](#) [PREL](#) [KG](#)
SUBJECT: RE-ESTABLISHING MOMENTUM ON CENTRAL ASIA SOUTH
ASIA ELECTRICITY LINK

REF: A. BISHKEK 361
[1](#)B. STATE 39779

[1](#)1. (SBU) Department continues to view the potential for an electricity link between Central and South Asia both as a strategic asset for helping the region meet its energy requirements and for using competitive forces to develop a more effective market. Because of the strategic nature of this potential investment, we have worked closely with the Development Banks and the four countries involved: Afghanistan, Pakistan, Kyrgyz Republic and Tajikistan to develop a sound economic project which justifies financing by the development agencies and which can attract private sector interest, as investor and operator. Unfortunately, the slow pace of progress over the last year, continuing questions about the availability of power in Central Asia, the overall cost of investment, and the range of demands on Asian Development Bank (ADB) resources caused by the global financial crisis have led the ADB, at least temporarily, to step back from its commitment to this project.

[1](#)2. (SBU) The World Bank, as noted by Embassy Bishkek, is working to present a project that fits the available power supply, is economically justified, and for which financing can be arranged. While we support that effort, we also agree with the Embassy that, like the previous effort to define a sound project, the scope and outline of the project must be agreed by all parties involved, including the four governments and financial institutions. It must also be attractive to private investors/operators. The World Bank will soon be circulating a note outlining its view of the parameters of such a project. In the World Bank's view, the Kyrgyz Republic would be an integral player in the project, but the transmission link for the Kyrgyz Republic may be delayed conditioned on progress towards increased power generation. This increased power, via the planned completion of facilities, is required in order for the additional investment to be economically justifiable and financially viable.

[1](#)3. (SBU) We encourage Embassy Bishkek to help Kyrgyz officials understand that phased implementation of their project is indeed progress towards final completion. The momentum generated from concrete progress could attract additional project financing, including from the ADB, Arab National Development funds, European Bank for Reconstruction and Development, and the European Investment Bank.

[1](#)4. (SBU) We can also assist the Kyrgyz in coordinating with the Tajiks and the consortium on how power would be supplied during times when the power supply in Central Asia is greater than transmission capacity. Also to be discussed is the idea of swapping power to supply the closest demand centers rather than over great distances to reach

interconnected purchasers as a way to minimize investment costs.

15. (SBU) On May 13-14, the next Regional Economic Cooperation Conference on Afghanistan will be held in Islamabad (ref b). Progress on the Central Asia - South Asia Transmission link can be a significant concrete deliverable at the conference. The World Bank Group hopes that the four countries involved: Afghanistan, Pakistan, Kyrgyz Republic and Tajikistan, will be willing to sign the International Finance Corporation (IFC) Project Development Agreement, which will permit the IFC to continue to spend funds in developing the project for presentation to investors/suppliers. We also support this additional step.
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